

NEW REPORT SHOWS MARYLAND HEALTH CARE EXPENDITURES INCREASED 10.8 PERCENT TO \$22.6 BILLION IN 2002.

BALTIMORE, MD (January 15, 2004) – At a meeting here today, the Maryland Health Care Commission (“MHCC” or “Commission”) released the report, *State Health Care Expenditures: Experience from 2002*. This report contains information on total health care expenditures for the state by public and private sources in 2002. This annual release, mandated by health care reform legislation passed in 1993, is the Commission’s ninth analysis of health care expenditures and utilization by Maryland residents.

Major findings include:

Total health care spending for Maryland residents increased to \$22.6 billion in 2002 up from \$20.4 billion in 2001. The 11 percent rate of growth in 2002 was 1 percentage point lower than the growth rate reported for 2001. The 2002 growth rate ends a three-year trend of accelerating growth: from 5 percent in 1999 to 8 percent in 2000 to 12 percent in 2001.

Home health care (20 percent), prescription drugs (18 percent), and hospital outpatient services (14 percent) had the most rapid growth in spending. Spending on hospital care, particularly outpatient services, totaled \$8.1 billion in 2002 with outpatient hospital care absorbing \$2.1 billion of that total. Spending on professional health care services reached over \$4.7 billion for physician care and \$3.5 billion for other professional services. **The prescription drug increase is on top of a 22 percent jump in 1999, a modest 11 percent increase in 2000, and a 14 percent increase in 2001.**

Medicare (22 percent) and Medicaid (18 percent) account for 40 percent of total health care spending, about the same share of total spending as all private third party coverage (39 percent) including commercial and non-profit insurers, health maintenance organizations (HMOs) and self-insured employer plans. Medicare, the largest single payer in the state, saw spending growth slow to 6 percent, while Medicaid (13 percent) and private sector payers (12 percent) grew at double digit rates.

Consumer spending out-of-pocket, consisting of copayments, deductibles, and full direct payments, grew at 15 percent, a rate that was higher than that of any third party payer. The rapid growth in consumer out-of-pocket spending underscores the cost containment strategies of employers and other purchasers that seek to slow the rate of increase in premiums by shifting costs to the users of health care through higher copayments and deductibles. Out-of-pocket spending increases for prescription drugs (24 percent) and for outpatient services (25 percent) were far above the rate of growth for total consumer spending and exceeded the rates of increase that private third party payers experienced in these sectors.

Consumer retreat from HMOs continued in 2002: only about 33 percent of the privately insured population was enrolled in HMOs, down from a high of about 50 percent 1998. The 7 percent decline in private sector HMO enrollment in 2002 follows a 9 percent decline in 2001 and smaller declines in the two preceding years.

Donald E. Wilson, M.D., chair of the MHCC, and Vice President for Medical Affairs at the University of Maryland and Dean of the School of Medicine, commented on the report. “I’m disappointed but not surprised that Maryland did not see a more dramatic slowing in the rate of growth in health care spending in 2002. The rapid growth is not good news for consumers. These results coupled with the recent MHCC report that found the number of uninsured growing, indicate that policymakers must work harder to ensure that Maryland residents have access to quality affordable health care.”

This report continues the Commission’s effort to accurately track the changing face of health care in Maryland. The report would not have been possible without the support of other government and private organizations that provided information. The Commission is grateful to these organizations for working closely with Commission staff to complete this study in time for the 2004 session of the Maryland General Assembly.